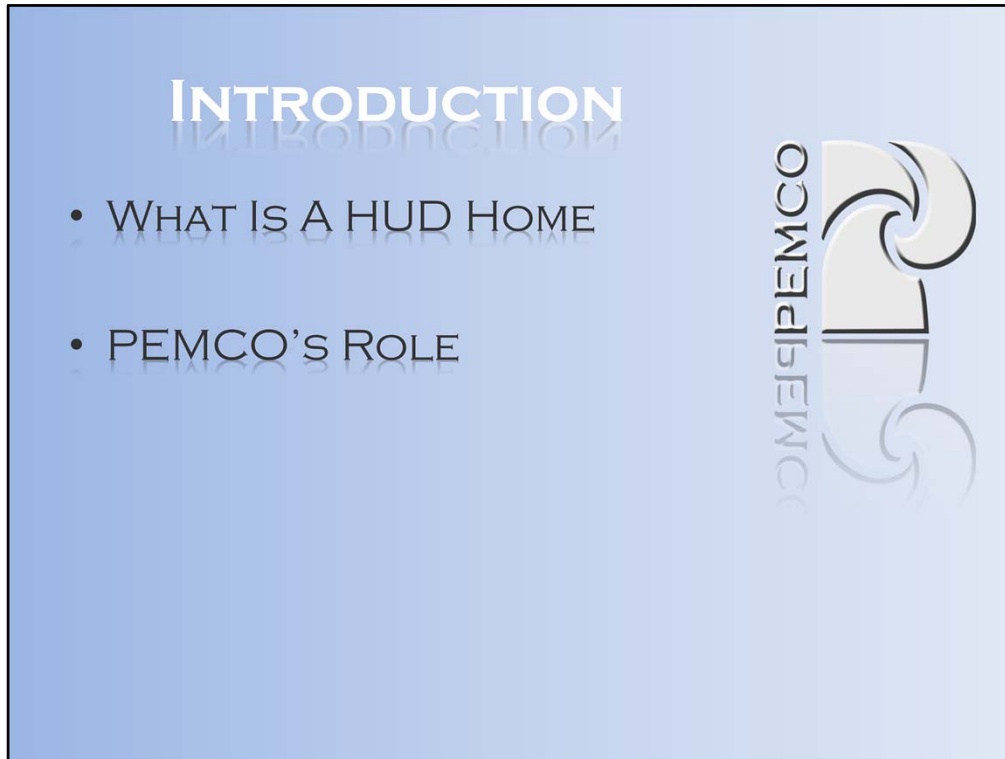


# INCREASING YOUR HUD AWARENESS





## What is a HUD Home

A HUD Home is a one-to-four unit residence acquired as a result of a foreclosure on an FHA-insured mortgage.

HUD Homes are not low-end housing! HUD homes can be found in nearly every county in each state and are varied when it comes to price, location, and condition.

## PEMCO's Role in the HUD Sales Process

HUD out-sources the management of its sales process in each state to a real estate management company. PEMCO is one of several HUD Asset Managers responsible for the marketing and sale of HUD REO properties.

In the M&M III Contract, there is one Mortgagee Compliance Manager (**MCM**), multiple field services managers (**FSM**), and multiple asset managers (**AM**) per each geographic Homeownership Center area.

- ***Mortgagee Compliance Manager (MCM):** performs pre and post-conveyance services to ensure HUD's interests are protected. They will determine the conveyance condition, provide*

*guidance to Mortgagees regarding claims and conveyance, and ensure a marketable title.*

- ***Field Services Managers (FSM):*** *to perform the property maintenance servicing of HUD homes to include preservation and protection services.*
  
- ***Asset Managers (AM):*** *to coordinate the successful marketing and sale of HUD REO properties.*

# SELLING A HUD HOME

- GENERAL SALES CONDITIONS
- “AS-IS CONDITION
- SELLING PROCESS
- BUYING A HUD HOME



## **Selling a HUD Home**

After a property is acquired by HUD, it goes through several steps with the MCM, FSM, and PEMCO (or applicable Asset Management Company). When a property is in ready-to-list condition, PEMCO will have the property appraised, determine which HUD disposition program it falls into, list it on the [www.HUDhomestore.com](http://www.HUDhomestore.com) web site, and PEMCO’s Local Listing Broker lists it in the local Multiple Listing Service (MLS).

When a HUD home becomes available for sale, it is listed on the MLS and on HUD’s listing site. To access the listing site go to [www.HUDpemco.com](http://www.HUDpemco.com) and click on the HUD Home Store button. Any real estate broker who is properly registered with HUD may show these properties and submit offers for purchase. HUD Homes are sold through an electronic bidding process. Most HUD homes are initially offered on a priority basis to Owner-Occupant purchasers (people who are buying the home as their primary residence) during a 30-day Exclusive Listing period. Following the Exclusive Listing period, unsold properties transition into an Extended Listing period and are then available to all buyers, including Investors.

After agents sell the homes, closings for HUD properties will be held at the office of HUD’s designated closing agent within 45 – 60 days from the date the contract was

signed by the PEMCO, Ltd.

### **General Sales Conditions**

HUD does not provide direct financing to buyers of HUD homes. Buyers must obtain financing through either their own cash reserves or a mortgage lender.

All HUD homes are sold strictly AS-IS.

### **“AS IS” Condition**

HUD makes no representations or warranties concerning the condition of the property, including but not limited to mechanical systems, dry basement, foundation, structural, or compliance with codes, zoning or building requirements and will make no repairs to the property.

Regardless of whether or not the property is being financed with an FHA insured mortgage, HUD does not guarantee or warrant that the property is free of visible or hidden defects, termite damage, lead based paint, or any other condition that may render the property uninhabitable or otherwise un-useable.

The purchaser is responsible for taking such actions as they believe necessary to satisfy themselves that the property is in a condition acceptable to them, of laws, regulations, and ordinances affecting the property and agrees to accept the property in the condition at the time of contract acceptance.

Purchasers are strongly encouraged to have a home inspection performed to identify any possible defects. Owner occupant buyers have a 15-day period after contract acceptance to activate utilities and complete the home inspection. Home inspection and utility activation are coordinated with the assigned Field Service Manager. Please refer to the Forfeiture and Extension Policy for complete details.

### **Selling Process**

Any licensed agent whose brokerage is registered with HUD may submit bids on HUD homes. More about this process is discussed in the “Registering with HUD” chapter of this manual.

## **Safe, Secure, and Marketable**

Repairs are not done to HUD homes; however, steps are taken by the FSM to ensure all properties are safe, secure, and marketable to the conditions as identified by HUD.

The FSM will also take steps to ensure the property is in a marketable condition, as is outlined by HUD, to include maintenance, such as lawn cutting, winterization, initial cleaning, and other processes.

Though not attended to by PEMCO or the FSM, repairs necessary to make the home eligible for FHA Financing will also be identified on the property's listing, and other repairs noted by the inspector will be identified in the Property Condition Report (PCR – also on the listing site).

## **Buying a HUD Home**

Anyone who can obtain financing can purchase a HUD home. Buyers do not need to attend an auction or sign up for a “foreclosure notification” program, or pay any money to join any other type of mailing list or invitation to participate in the HUD Home Sales Process. The only stipulation on this is that the Asset Managers’ contractors, its subcontractors, Local Listing BrokerS, their employees, immediate family, and affiliates cannot purchase a HUD home.

All HUD homes for sale are available for viewing on a free, public-access website. HUD’s official listing site for its properties is [www.HUDhomestore.com](http://www.HUDhomestore.com).

All a buyer needs to do to purchase a HUD home is to find a desired property for sale on HUD’s web site, obtain financing, and work with a HUD-registered real estate agent to submit the buyer’s offer.

## **Buyer Categories:**

### **1. Owner-Occupant Buyers**

Are eligible for priority bidding on HUD properties

Must live in the purchased home as their primary residence for at least one year

(Buyer and Agent must sign the Owner-Occupant Certification

May not purchase another HUD property for two years after the close date of their current HUD purchase.

### **2. Investor Buyers**

A buyer who is investing in and not living in the HUD home(s) they purchase  
Investors are not given any priority in the bidding process  
Can purchase as many HUD homes as they want, as often as they want

### 3. Non-Profit Organization Buyers

Are buyers who represent a Non-Profit Organization which has been approved by HUD

Receive the same priority bidding as do the Owner-Occupant buyers

May also bid on properties which are in the Lottery Round and not yet for sale to the general public

Are not required to submit an Earnest Money deposit


Are not required to have a representing agent

for this reason, agent's rarely work with non-profit organizations as a buyer-type

to become a HUD-approved non-profit organization, please see page 9

**HUD SPECIAL  
PROGRAMS**

- GOOD NEIGHBOR NEXT DOOR
- NON-PROFIT LOTTERY PROGRAM
- \$100 DOWN-PAYMENT PROGRAM
- REGISTER AS HUD NON-PROFIT

The HUD logo is located on the right side of the slide. It consists of a stylized, vertical emblem with a central vertical bar and two curved, wing-like shapes on either side. To the left of the emblem, the letters 'HUD' are written vertically in a bold, sans-serif font.

## **Lottery Round**

HUD offers properties which are eligible for pre-designated special programs available for sale in a “Lottery Round” to eligible buyers prior to the property being offered for sale to the general public.

The Lottery Round is a six (6) day bidding period that precedes a property’s initial listing where offers from eligible purchasers accumulate on the property in a sealed bid period. Bids are opened on the 7<sup>th</sup> day. If an eligible purchaser places an offer on the property, the property will go under contract. If there are no offers from an eligible purchaser, the property transitions into an Owner-Occupant Exclusive Listing period.

If more than one eligible purchaser places a bid on the same property in the Lottery Round, the winning purchaser is decided by HUD’s bid processing system, giving priority to Good Neighbor Next Door (GNND) bidders, with secondary priority to Non-Profit Organizations.

## **Good Neighbor Next Door Program**

The Good Neighbor Next Door Program was designed to enhance urban

communities by offering discounts on HUD homes to firefighters, emergency medical technicians, police officers, and teachers (pre-K through grade 12). The Good Neighbor Next Door Program was ratified from the former Officer Next Door/Teacher Next Door (OND/TND) Programs into one cohesive program, effective December 1, 2006.

GNND allows individuals working full-time in the above fields, with good faith to remain at that job, to purchase a home in a HUD-Designated Revitalization Area at a 50% discount from the list price and with a \$100 down-payment if the buyer is using FHA-insured financing.

Requirements of a GNND Purchaser:

- Live in the home as a primary residence for at least 36 months (3 years)
- Submission of Earnest Money deposit = 1% of the list price, not to be less than \$500 and not to exceed \$2000 (Earnest Money is subject to forfeiture)
- Purchasers and spouses may not have owned title to any HUD property in the last year, nor have ever partaken in the GNND program, including the program's earlier versions
- Purchaser is responsible for all closing costs and broker commissions
- Purchaser must purchase within City, County or State in which they work based upon type of employment. (State Patrol, purchase in State; Teacher purchase in city where school is located)

### **GNND (Cont'd)**

- 50% discount is applied at closing.
- Buyer qualifies for full purchase amount
- Offer is made at the full list price
- If multiple offers are made on the property, the winner is chosen by random lottery drawing

GNND eligibility will be indicated on the property listing on [www.HUDhomestore.com](http://www.HUDhomestore.com).

**NOTE:** GNND Policies may vary depending on your state. Visit [www.HUD.gov](http://www.HUD.gov) for more information.

### **Non-Profit Lottery Program**

Non-profit organizations approved by HUD are also able to make offers on HUD properties which are listed for sale in the Lottery Round at discounted rates. Non-Profits are NOT eligible to participate in the \$1 Home Sales Program – this program is only for Government Agencies.

Please visit [www.HUD.gov](http://www.HUD.gov) for more information on becoming a HUD-approved Non-Profit Organization.

(Specifically the publications on link:

[http://www.hud.gov/offices/hsg/sfh/np/np\\_prog.cfm](http://www.hud.gov/offices/hsg/sfh/np/np_prog.cfm))

Publications on this site identify how to become an FHA-approved to:

1. Act as a mortgagor using FHA mortgage insurance
2. Purchase HUD homes at a discount
3. Provide secondary financing;
  - a. See "Application information for secondary financing/down payment assistance providers."

## **Registration for HUD-Approved Non-Profit**

Submit an e-mail directly to your local Homeownership Center (HOC), indicating that your organization would like to apply for approval to participate in FHA Non-Profit activities. Contact information for processing requests for particular regions can be found on [www.HUD.gov](http://www.HUD.gov).

The e-mail must include the following information:

Organization's legal name

Address

Executive director's name and contact information (phone number and e-mail address)

## **Non-Profit Registration (Cont'd)**

Identify if the organization is a non-profit or instrumentality of government

Date of your organization's 501 (C) (3) determination letter

Identify a minimum of two years, within the last five years, of housing

development experience. (Housing development experience is denied as acquisition, rehabilitation, and sale to low-to-moderate income persons.)

**NOTE:** An e-mail communication will be sent from HUD with instructions for accessing the on-line application system outlining User information.

## **HUD Homeownership Incentives**

### **\$100 Down-Payment Program**

- Available in certain markets and areas
- Available to Owner-Occupant purchasers using FHA financing
- Available to Owner-Occupant purchasers with a full-price purchase offer
- Agent indicates that the purchaser will be utilizing the “\$100 Down” program by identifying on Line 4 of the Sales Contract
- The lender will need to complete HUD’s Mortgage Credit Analysis Worksheet and include with the contract package
- The Earnest Money deposit is required when utilizing in the \$100 Down Program.



**SELLING AGENT'S  
ROLE**

- WORKING AS A HUD SELLING AGENT
- REGISTERED WITH HUD
- NAID RENEWAL

## **Selling Agent's Role**

Selling Agents are one of the most important elements in the HUD sales process. PEMCO, Ltd. realizes that selling agents are in the field every day routinely showing and selling HUD's properties across the state and are critical to the success of the HUD Sales Program.

PEMCO, Ltd relies on Selling Agents to be the eyes and ears in the field. Selling agents help in reporting vandalism, noticing changes or trends in the properties, or identify ways in which PEMCO, Ltd can enhance the sales process. Lines of communication between PEMCO, Ltd and the Selling Agent are always open.

## **Working as HUD Selling Agent**

All HUD-registered Brokers, Associate Brokers, and Selling Agents are in some form representing HUD when showing and selling HUD homes. It is expected that all persons associated in any form with HUD and/or PEMCO, Ltd. conduct business in a professional and respectful manner when dealing with the purchaser's and with all persons involved in the HUD sales process.

A successful Selling Agent will be the agent who excels in business, is energetic and motivated to make the sale, and demonstrates a genuine and vested interest in the overall *quality* of the HUD Sales Program.

### **Registering With HUD**

Any licensed agent can sell and show HUD homes if their brokerage is registered with HUD. It is the brokerage, not individual agents, who register with HUD. To register, go to [www.HUDhomestore.com](http://www.HUDhomestore.com) and download the Broker Registration Package. The package must be completed by the brokerage's principle broker.

The application package consists of the below forms:

SAMS 1111 (12/2007)  
SAMS 1111A  
IRS Letter 147C  
Broker Checklist  
Attachment of required documentation  
Broker Certification Checklist

Complete the package accurately and in its entirety. Errors or missing information will delay the HUD-registration process. After completing the package, mail or deliver it to your region's HUD Homeownership Center (HOC) to the attention of "Broker Registration Division".

**NOTE:** Faxed packages will not be accepted.

The HOC will review the application and send to HUD's offices for processing. After processing, HUD will award the brokerage a NAID Number (Name and Address Identifier Number) which will be used by all agents in that brokerage to place bids on [www.HUDhomestore.com](http://www.HUDhomestore.com) . **The entire application process takes six to eight weeks.**

Once your broker has received its NAID number from HUD, all agents in the brokerage can advertise, show, place bids, and sell HUD homes.

### **NAID Renewal**

NAID Numbers must be renewed annually in order to avoid deactivation. Complete all sections of the Application Package that apply to renewal and submit all required documentation.

If renewal is not completed prior to current registration expiring, HUD will deactivate the NAID number. All bidding privileges will be deactivated for any broker or agent whose NAID number is inactive. The broker must wait for the NAID number renewal in order to be eligible to place bids. It is recommended renewal be completed at least eight weeks prior to expiration.

**PEMCO, Ltd does not under any circumstance offer “Temporary” passes to submit bids if your NAID is inactive.**

To check the expiration date of the NAID Number:

Go to [www.HUDhomestore.com](http://www.HUDhomestore.com)

Select the NAID Registration Tab

Select the Check Current NAID Registration Status hyperlink

Enter FID/SSN and Zip Code

You are now viewing your brokerage’s NAID Number and current expiration date

Changes made to the 2007 registration process: Brokers are no longer required to submit a W9 form. It was replaced with the 147C letter that can be obtained from the IRS. The contact number to the IRS is 1-800-829-4933. Also, the 1111 was revised to show the responsible party signature above the “HUD USE ONLY”. The updated form is on our website and all new instructions are also listed on the website within the broker registration checklist.

Creation of a Principle Broker account is required prior to creation of an Associate Broker account at HUDhomestore.com using the NAID number assigned.

Agents within that brokerage will need to create an account as an Associate Broker in order to place bids for purchasers.

In order to complete the free process:

Go to [www.HUDhomestore.com](http://www.HUDhomestore.com)

Select the Bidder button in the upper right hand corner

Complete the form (Brokerage’s NAID number is required)

The Associate Broker’s name will appear in the “find a registered agent” section, where prospective purchasers can review and contact an agent. Associate Brokers can login to this account to manage HUD home bids and search criteria for purchasers.

# IDENTIFYING HUD HOMES

- FINDING HUD HOMES
- IDENTIFY THE LOCAL LISTING BROKER
- LISTING DAYS
- LISTING CODES



## **Finding HUD Homes**

Properties acquired by HUD, but are not yet ready to go on the market, will display a white “Assigned to the FSM” sign in the window of the property before they are listed for sale. Properties generally go to market approximately 20 days after acquisition, however due to various occurrences, such as title issues or other matters, it can sometimes take a longer period of time. PEMCO, Ltd. personnel cannot advise as to when a property is going to list.

Once a property is made available for sale, a yard sign for the Local Listing Broker (LLB) assigned to the property will be present, it will be listed on an MLS, and it will also be listed on [www.HUDhomestore.com](http://www.HUDhomestore.com).

Utilizing PEMCO’s website to search for HUD Homes is the recommended method of searching for HUD homes available for sale. Visit [www.HUDpemco.com](http://www.HUDpemco.com) and click the “HUDHomestore” button. This directs the browser directly to [www.HUDhomestore.com](http://www.HUDhomestore.com), HUD’s Listing Site, where any person can search for HUD homes currently listed on the market. This web site is HUD’s official, comprehensive site of all HUD properties, and only identifies HUD properties for sale.

An added benefit of PEMCO's web site is that important information regarding up-to-date news on HUD and PEMCO's processes, holiday notifications, announcements, training calendar, and more are available ([www.HUDpemco.com](http://www.HUDpemco.com)).

### **Identify the Local Listing Broker**

The Local Listing Broker (LLB) is a brokerage subcontracted to list the properties on an MLS for PEMCO and serve as a source of local information about HUD, its properties, and the HUD-PEMCO Sales Process to inquiring agents, buyers, and others who have interest in the properties or process.

To view contact information for LLB's, click the "News" tab on [www.HUDpemco.com](http://www.HUDpemco.com).

PEMCO, Ltd. is not currently soliciting for new Listing Brokerages. Should we decide to enroll new Listing Brokerages, those pre-registered at [HUDpemco-limited.com](http://HUDpemco-limited.com) may be contacted and/or the solicitation may be posted to our web site. Interested Brokers can now sign up for our broker database. We will tap into the database first for LLB availability and then solicit if needed. To sign-up as an interested Broker go to our homepage and find the link under the title "Contractor's Tab".

### **Listing Days**

Listings are posted daily and can be searched for and viewed seven (7) days a week. All Lottery Round properties (Special Program properties) are listed for six (6) days. Properties that do not sell during the Lottery Round transition into an Owner-Occupant Exclusive Listing period.

### **Listing Codes**

Additional information regarding the property can be found within the on-line listings. Codes representing the financing options and/or property conditions of the property for sale can be found accompanying the listing.

### **Code Stands For Description**

F- Flood Zone

Located in an area where coverage under the National Flood Insurance Program may be required to obtain a loan approval

HOA-Homeowners' Association

Governed by a Homeowners Association which will most likely require HOA fees and dues to be paid by the home occupant after closing

**LBP-Lead-Based Paint**

Applicable for properties built prior to 1978 which may contain lead-based paint. The LBP Addendum Form must accompany the sales contract for such properties.

# IDENTIFYING HUD HOMES

- FINANCING CODES
- THE LISTING SITE
- PROPERTY CONDITION REPORT
- INSIDE A LISTING



## **Financing Codes:**

### **Code Stands For Description**

#### **IN-Insurable**

The property meets FHA 203(b) financing requirements, and no obvious repairs are necessary to insure an FHA loan to a buyer

#### **IE-Insurable w/Escrow**

The property is still eligible for a 203(b) FHA loan; necessary repairs total less than \$5,000.

#### **UI-Uninsurable**

The property requires repairs totaling more than \$5000 and is not eligible for FHA mortgage insurance in the property's "as is" condition. The property may, however, be eligible for the FHA 203(k) or Streamlined 203(k) Financing.

Financing codes are only indicative of the property's eligibility for standard FHA Financing. Purchasers using conventional financing or cash need not be concerned with the above designations.

### **Insurable with Escrow**

Properties deemed **Insurable with Escrow (IE)** indicates that the property appears to qualify for FHA 203(b) financing; however, there are some repairs that will total less than \$5000 that will need to be escrowed in order to have it qualify.

### **Repair Escrow**

Repair items and their respective estimated costs will be identified on the property's listing. One-hundred and ten percent (110%) of the estimated costs make-up the property's total *escrow amount*.

This escrow amount is not added onto the sales price of the property (does not affect the net to HUD), nor is the amount a 'gift' or allowance from HUD. Instead, the finances this amount into their mortgage. On the sales contract, the repair escrow amount is not deducted from the net to HUD, nor is it added to the purchase price on Line 3. The escrow amount should only be written on Line 4.

The lender – not PEMCO or HUD – is responsible for inspections of the repairs and authorizing release of the funds to a licensed contractor to make the repairs within a certain number of days following closing. No repairs can be done to the property prior to closing.

### **The Listing Site**

Buyers and agents will be able to search for properties in a variety of search parameters. All listings on [www.HUDpemco.com](http://www.HUDpemco.com) and [www.HUDhomestore.com](http://www.HUDhomestore.com) are HUD properties that are available for sale.

Identify the search criteria, select Search, and a list of all available properties within the search criteria will be presented.

The legend below shows icons that apply to the status of the listings that appear on the web sites.

Minimum Commission to Selling and Listing Broker – considered Hard to Sell.

Identifies new HUD listing

Indicates Bid Under Review

Identifies a recent Price Reduction

Under the “Listing Period” heading, users will notice the following listing period types:

**Lottery** = Only Non-Profit & Special Program bids accepted

**Exclusive** = Only Owner-Occupant bids accepted

**Extended** = All Bidders accepted

Users can view the property’s list date, specs (such as bed/bath and year built), FHA insurability, bid deadline, and the list price within the Search Result screen.

By clicking on the property case number or photo, the actual listing screen will appear. Users can view additional photos and details for the listing. The Addendums tab offers more detailed information regarding the property, to include the Property Condition Report, the Environmental Compliance Report, Escrow/Repair Lists, additional disclosures, and any Virtual Tours available.

-

### **Property Condition Report**

Each property has a Property Condition Report (**PCR**) which can be viewed by any person visiting the listing site. The PCR is a downloadable document which outlines the condition of the property as determined by the Field Service Manager.

The PCR will provide information on the presence, condition, and/or functionality of the property's appliances, as well as the roofing, plumbing, electrical, and HVAC systems as they appeared at the time of HUD's initial acquisition of the property only. Depending on activity at the property that is beyond PEMCO's control, neither this information nor the current condition of the property can be guaranteed and may be subject to change.

The PCR is designed to inform purchasers on the general condition of the property only. **The PCR does not represent nor is it designed to substitute for a Home Inspection.** As all HUD homes are sold in "as is" condition, all purchasers are encouraged to get an independent home inspection regardless of the information provided in the PCR.

To access the property's PCR, open the listing screen and select the Addendums tab.



### **Get Familiar with FHA**

HUD does not provide financing to its buyers; however, with current market conditions, PEMCO, Ltd. encourages all agents to get familiar with FHA, as it is becoming more and more of an increasingly attractive and secure means of financing for all types of buyers. Other reasons to think FHA include:

Owner-Occupants who purchase HUD homes with FHA financing can purchase with only \$100 Down (Program **NOT** available in all areas)

FHA increased loan limits nationwide.

Programs like the 203(k) Streamline allow buyers the option of "Buy and Repair"

To find more information on FHA's loan programs like 203(k) Streamline, 203(k), and the Energy Efficiency Mortgage visit [www.FHA.gov](http://www.FHA.gov) or attend PEMCO's new FHA financing class, "Utilizing FHA on HUD REOs".

### **FHA on HUD REO's**

As another addition to PEMCO Ltd.'s training programs, this guide is designed to provide real estate professionals with a detailed understanding of how to maximize the current incentives and guidelines on FHA financing with HUD REOs.

Along with a detailed overview of 203b and 203K financing, attendees will be given information on:

“Dos and Don’ts”

Several of the current misnomers regarding repair escrows & appraisal requirements

The current hot topic of “over bidding”

How to best guide your buyer through the HUD sales process

In today’s credit market, understanding FHA is the key to increasing your pool of eligible buyers and ultimately becoming an expert at "Successfully Selling HUD"!

To register, or to view a full schedule of upcoming classes, please visit:

1A and 2A - [www.hudpemcoevents.eventbrite.com](http://www.hudpemcoevents.eventbrite.com)

1D and 2D – [www.pemcodenver.eventbrite.com](http://www.pemcodenver.eventbrite.com)

2S – [www.pemcocali.eventbrite.com](http://www.pemcocali.eventbrite.com)



## Showing HUD Homes

Open houses are only permitted on specific days and can only be held by the Local Listing Broker.

When showing HUD homes, always secure the property (all doors, windows, etc.) upon leaving with key provided and be sure to return the key to the lockbox!

Do not remove lockboxes or any other privatized locks on any HUD-owned property in an effort to restrict any legitimate person's ability to enter the property. This includes properties under contract. Locks may not be changed until the property is no longer owned by HUD.

## **HUD Keys**

All HUD Properties are secured by a lockbox, to which all HUD-registered agents are provided access. Do not change or remove any locks or lockboxes on the property to ensure that agents have access to show and inspect the homes.

Agents can obtain the lockbox code from the LLB. HUD keys are required to open all major doors and padlocks placed by FSM to secure crawl spaces, garages, and storage

sheds at the properties.

Proper documentation is required to obtain access to a HUD home. Agents will need to provide the LLB with valid and legible copies of the following items:

- State specified real estate license
- Driver's license or identification card
- Your brokerage's NAID number

**NOTE:** LLB's are not required to meet agents at properties to grant access, but must have a designated line for you to contact and receive the codes to gain access.

### ***Remember!***

No agent may ever permit any potential buyer or any other person to enter a property without a HUD-registered agent present. A HUD-registered Selling Agent must be present to provide access for a buyer's inspectors, contractors, etc...

## **Advertising HUD Homes**

All HUD-registered agents are permitted and encouraged to advertise all HUD homes currently for sale, provided they adhere to HUD-PEMCO's advertising guidelines. Non-compliance in advertising HUD homes can result in NAID suspension for an entire Brokerage.

### **Advertising Do's:**

- Advertise HUD homes in a professional and ethical manner
- Be positive and proactive in your HUD home advertising
- Refer to HUD homes as "HUD-owned", "HUD-acquired" or simply, "FOR SALE"
- Always include the Equal Housing Opportunity Logo and/or statement on any and all advertising, including signage, websites, flyers, etc.

If advertising specific properties on a flyer, in print, or on a web site, always include a HUD-Home Disclosure and link to the HUD Listing site

*i.e. "This is a HUD-owned property. To view all HUD Properties available for sale, please visit [www.HUDpemco.com](http://www.HUDpemco.com) and click on HUD Homestore. Our HUD-registered agents can sell and show you any home you find of interest on the site."*

Note any flood plain zones, or other warning information as it appears on the property's internet listing, if applicable

Always secure the property with the HUD specific lock system only

Adhere to all federal, state, county, city, and real estate commission advertising regulations, as well as compliance with the Truth-in-Lending Act when advertising HUD Properties, including but not limited to: Blind Advertising, regulations regarding directional signs, etc.

### **Advertising Don'ts:**

Do not place signage in a HUD property's yard. This right is reserved for the property's Listing Brokers.

Do not abuse the right to place directional signs. Please limit directional signs to an appropriate number for the given area. Excessive use of directional signs will be handled on a per case basis, at the discretion of PEMCO, Ltd.

Do not destroy, damage, or remove the advertising, including signage, of another HUD-registered Selling or Listing Broker for any HUD Property.

Do not refer to or advertise properties as "distressed", "foreclosed," "government," "must sell" or "repossessed" or any other adjectives with notable negative connotation.

Do not advertise a property before it's officially listed for sale to the general public.

Do not imply in any way to any prospective buyer or real estate agent that the advertising broker is the exclusive source of information or rights to the property (this includes but is not limited to verbiage on web sites, flyers, and/or conversations with other agents and prospective buyers).

Do not state or imply the price of the property differs from the list price shown on PEMCO's listing site or HUD's listing site.

## **Fair Housing**

As with all real estate practices, Selling Agents must adhere to Fair Housing Laws when showing and selling HUD homes.

It is HUD's mission to increase homeownership, support community development, and increase access to affordable housing, free from discrimination.

Title VIII of the Civil Rights Act of 1968 (Fair Housing Act), as amended, prohibits discrimination in the sale, rental, and financing of dwellings, and in other housing-related transactions, based on race, color, national origin, religion, sex, familial status (including children under the age of 18 living with parents of legal custodians, pregnant women, and people securing custody of children under the age 18), and handicap (disability).

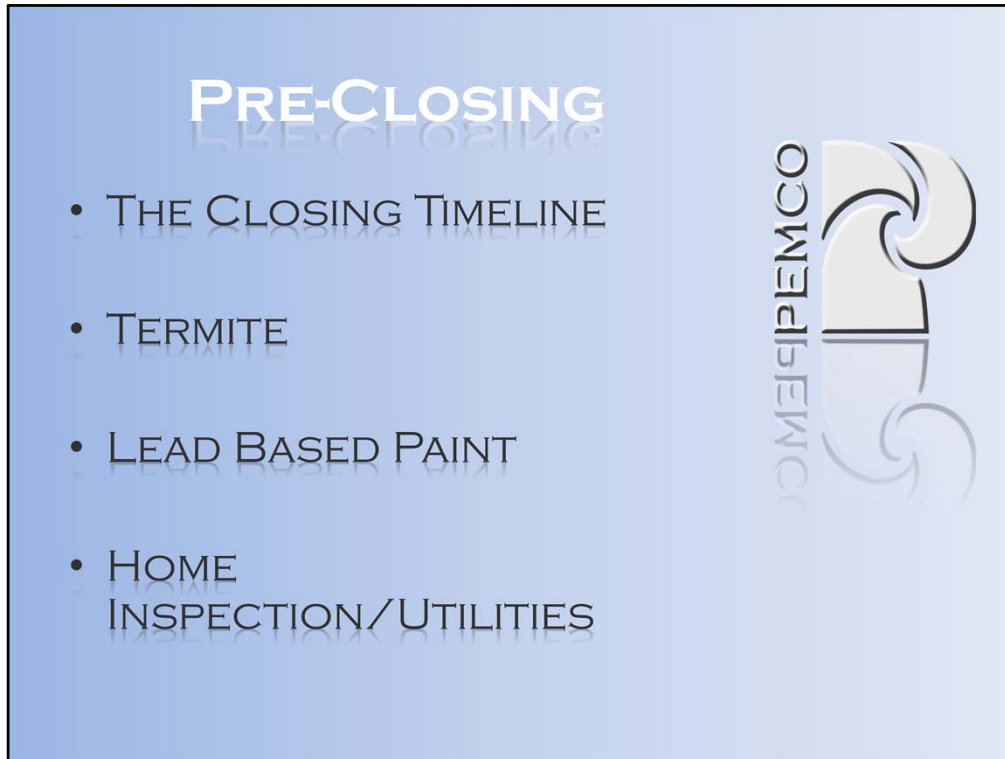
**Areas of Illegal Discrimination:**

- Race
- Color
- Religion
- National Origin
- Sex
- Handicap – mental or physical
- Familial Status – Person with child under 18

**It is Illegal:**

- To refuse to sell, rent, or negotiate with any person
- To change terms, conditions, or services for different individuals as a means of discrimination
- To state or advertise that the property is restricted
- To tell persons that a property is not for sale or rent when it is
- To make a profit by inducing owners to sell by telling them that persons of a protected class are moving into their neighborhood (Blockbusting or Panic Selling)
- To give different terms for loans to buy or repair a dwelling or deny a loan altogether
- To deny membership in any multiple listing service (MLS) or broker's organization

It is also illegal to practice steering (directing people toward areas based upon their protected class) and redlining (lenders refusing to loan in certain areas based upon protected classes)



### **The Closing Timeline**

203(b), Conventional and Cash closings have a deadline to close of 45 days from the contract's acceptance date. 203(k) closings are scheduled at 60 days.

### **Termite Letters and WDO Letters**

HUD provides updated termite letters for properties where the buyer is using FHA Financing or if the State or Zone the property is located mandates it. Upon the receipt of an inspection work order from the Vendor, the FSM Vendor shall order necessary treatment/repairs, if the cost of the treatment/repairs does not exceed \$1,000.00.

If the property does not meet the required conditions for HUD to provide a Termite or WDO Letter, the buyer can have an inspection performed at any time at their own cost once the contract is accepted. In the event there is infestation and damage, the buyer will also be responsible for funding the treatment and repairs.

The Termite Inspection Report is a standard state form which reveals whether there is any earth-to-wood contact on the property, if there were any areas of the structure that were not inspected, and if it appears that any previous termite

treatment has been performed. The inspection letter often contains exclusions of liability printed on the back.

### **LBP Stabilization**

If a property is accompanied by a LBP symbol, a LBP assessment will need to be completed. HUD will only complete a LBP assessment if the property was built before 1978 AND has an executed contract with an Owner-Occupant buyer using FHA financing. After assessment, the summarized results will be displayed in the LBP Addendum that the buyers and the broker must sign prior to contract execution. HUD will only fund up to \$4,000 for stabilization in accordance to the plan on file. For assessments that cost over \$4,000, HUD, at its sole discretion, will allow the buyer to either (a) cancel the contract with 100% refund of the Earnest Money, or (b) allow purchaser to amend the contract financing to 203(k) or conventional. A 203(k) Streamline can also be used if the cost of stabilization is less than \$5,000.

For more information please visit: (IE [www.HUDpemco.com](http://www.HUDpemco.com) for “LBP Stabilization Guideline F.A.Q.’s”.

### **Home Inspections/Utilities**

Home Inspections are optional, but are highly recommended! Before a home inspection can be performed, the buyer will need to have utilities temporarily activated. Each Field Services Manager has their own process for activating utilities. Contact the Field Service Manager for their activation policy. The FSM contact information can be found by looking under the “Agent Info” section on the listing at [www.HUDomestore.com](http://www.HUDomestore.com).

Home Inspection/Utility Activation:

The Home Inspection will be performed by a professional inspector.

The purchaser is responsible for the cost of utility services.

The utilities will remain activated no longer than 2 days (48 hours.)

The purchasers understand that they are responsible for all expenses resulting from the systems check, including repairs, if necessary, of damage to the property.

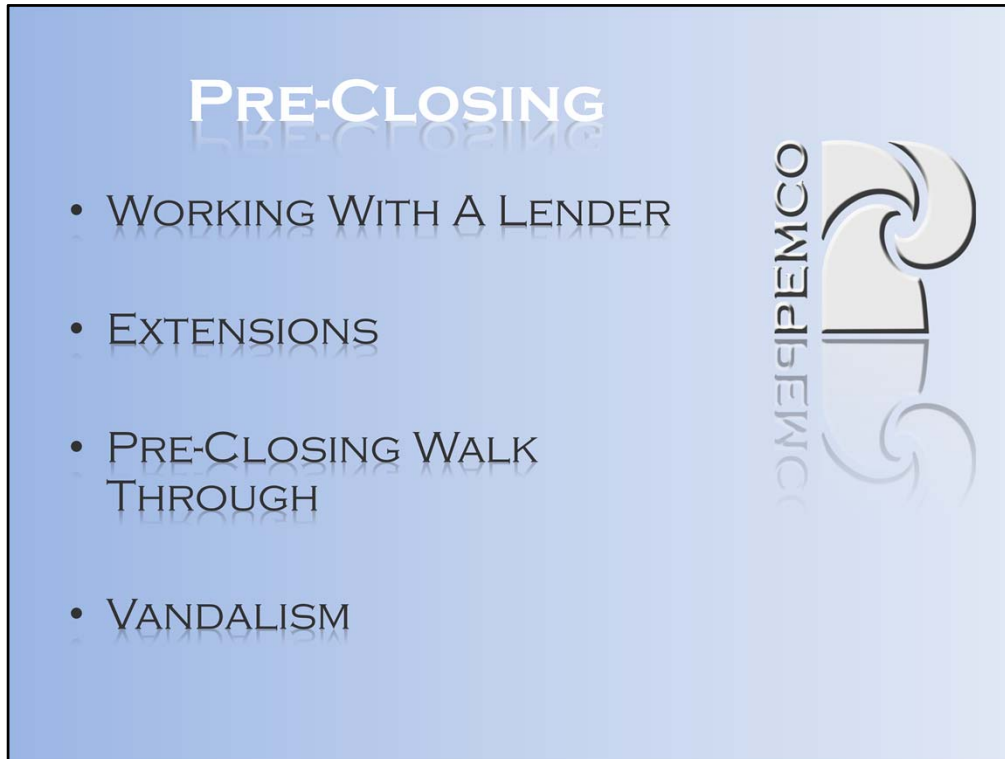
Re-Winterization

Inspection requests submitted between September 15th and March 15<sup>th</sup>.

Each FSM will have its own re-winterization fee amount and process. Please

contact the FSM associated with the property for details.  
The Selling Agent must provide a copy of the request form to the purchaser and explain to them the purchaser's responsibilities.

Inspectors, appraisers, and buyers will need to make arrangements with the Selling Agent to have access to the property at all times. No Registered Broker, nor any applicable Selling Agent(s), may ever permit any potential buyer, inspector, and/or appraiser to enter a property without a registered agent being present.



### Working with the Lender

Submit all paperwork to the lender, including any HOA notifications. A closing date will not be set until the closing attorney receives the executed contract and closing instructions from the lender. Remind the lender that the closing package must be at the attorney's office 5 days prior to the closing date. All properties require a closing inspection 5 days prior to the scheduled close date.

### Extensions

Should a purchaser require an extension for the contract, they must apply for contract extensions in 15-day increments with HUD's designated closing agent. If, at the time of closing, there are days still "left over" from the 15-day extension, the per-day fee will be pro-rated and the un-used balance refunded to the purchaser on the HUD-1 Settlement Statement

The fee of the extension will be based on the sales price of the property (chart below).

### **Extensions (Cont'd)**

PEMCO, Ltd. (not the closing attorney) will grant extensions with a written request from the purchaser. Extensions to close the sale are entirely within PEMCO's discretion on a per-case basis. The granting of one extension does not obligate PEMCO to grant additional extensions. An extension, if granted, will be under the following conditions:

1. To be considered for approval, the Extension Request Form must be submitted and physically present at the Closing Agent's office no later than five (5) calendar days before the expiration of the sales contract.
2. All fees - in the form of a cashier's check or money order - must accompany the above request at the time of submission and also be physically at the Closing Agent's office.
3. The documentation submitted with the request must establish the cause of delay, and that mortgage approval is imminent during the extension period.
4. Contracts are automatically cancelled on the contract expiration date if there is not an approved extension implemented on the day of the contract close date.

Extension fees will be automatically forfeited if a closing does not occur, no matter the result of the Earnest Money refund.

The extension fee may, in some cases and at PEMCO's sole discretion, be refunded for FHA loan processing issues when the cause of delay is due to an internal PEMCO or Closing Attorney-related issue, vandalism to the subject property, or as a result of the process of resolving any title issues.

### **Extension Fees:**

#### **Property Sales Cost**

#### **Per Day Fee**

#### **Time Frame**

#### **Extension Fee to Buyer**

\$0 - \$25,000

\$10/day

15-day increments

\$150.00  
\$25,001 - \$50,000  
\$15/day  
15-day increments  
\$225.00  
\$50,001 +  
\$25/day  
15-day increments  
\$375.00

## **Pre-Closing Walk Through**

It is recommended you and your buyer complete a pre-closing walk through the day prior to or the day of closing. If there are vandalism issues, please contact PEMCO immediately. We will extend your close date (free of charge) while vandalism issues are attended to.

## **Vandalism**

If a property has been vandalized while under contract, complete the Vandalism Report form electronically, save the document, and email it to your area's PEMCO office Vandalism Department.

Atlanta- [vandalismatl@pemco-limited.com](mailto:vandalismatl@pemco-limited.com)

Denver – [vandalismden@pemco-limited.com](mailto:vandalismden@pemco-limited.com)

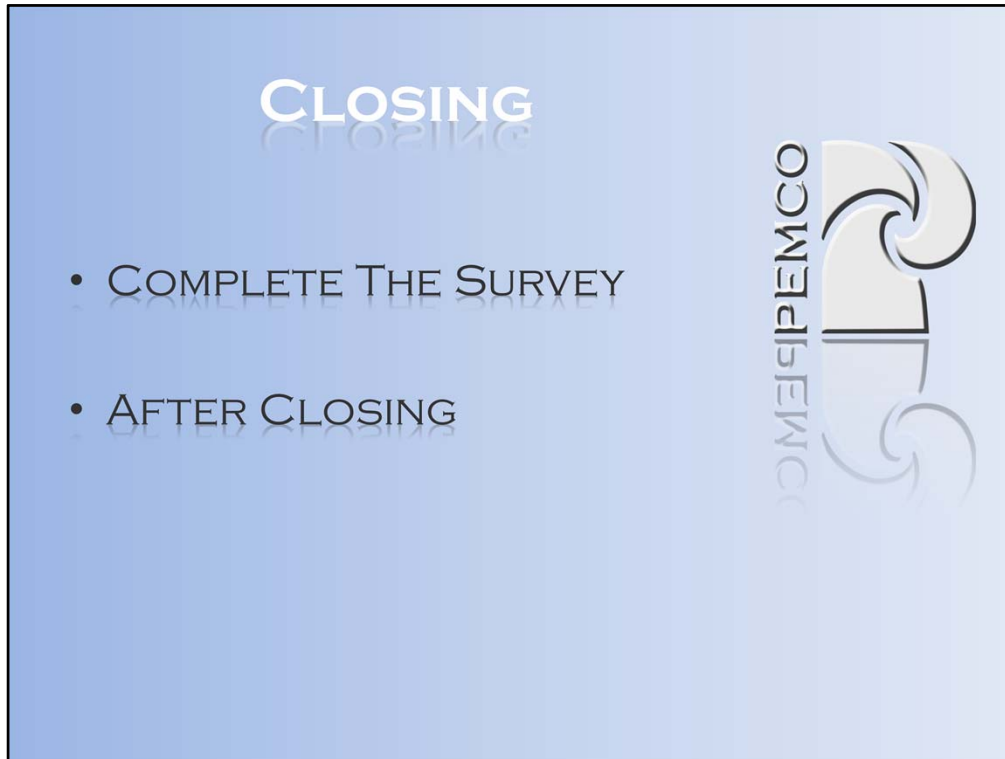
Sacramento – [vandalismsac@pemco-limited.com](mailto:vandalismsac@pemco-limited.com)

You should also attach any supporting photographs to the email. A Vandalism Specialist will file your form and contact you regarding PEMCO's course of action.

HUD will respond to any vandalism while under contract as follows

1. Proceed with the purchase of the home in its current As-Is condition.
1. Terminate the contract based upon the Vandalism or Theft and the Earnest Money deposit will be refunded.
  - The contract cancellation request can be found at [www.hudpemco.com](http://www.hudpemco.com) under the forms tab.
  - Please complete the Cancellation Request form and submit to [cancelden@pemco-limited.com](mailto:cancelden@pemco-limited.com)

Please remember it is the purchasers and selling brokers responsibility to keep the contract active and not allowing it to expire. If the contract expiration date is allowed to pass without an extension, the contract will be cancelled and earnest money deposit will be forfeited.



## **Closing**

Agents should attend the closing with the buyer at the HUD-designated closing attorney's office. It is highly recommended that all sales close with HUD's closing attorneys. Third Party closings are allowable; however, HUD's closing attorney must still preside over the closing. To have a third party closing, contact the HUD-designated attorney assigned to the closing to make such arrangements.

At closing, all required paperwork will be reviewed and signed. The buyer will make payment to the closing attorney in certified funds, and the closing attorney will make payment to the seller and any others necessary.

Closing agent instructions depends on the closing protocol specific to your state.

## **Complete the Survey**

At closing, both agent and buyer will be provided with a short survey about the HUD Home Selling Process. From property conditions to PEMCO's helpfulness to closing attorney assistance, the survey inquires about your experiences as a whole in your HUD home purchase.

The PEMCO team strives to ensure high-levels of satisfaction that both the agents and buyers experience in their HUD Transactions, and the surveys provide extremely useful insights and data in helping us and HUD representatives in determining your satisfaction in working with HUD-PEMCO. If the survey is not present at the time of closing – please, ask for one.

## **After Closing**

Coordinate with the Local Listing Broker to retrieve the key to open the door of the closed property for the buyer and have the lockbox removed. You may not provide the buyer with the HUD key or lockbox code.

The new owners are required to have the property's locks re-keyed or changed at their own expense after the close of the sale. This is not a HUD or PEMCO cost. Please explain to the purchasers that it is for their own safety that they have a key that is unique to their home.

Buyers may also now turn on the utilities in their name for permanent usage.

# HUD AWARENESS

QUESTIONS?

